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DEVELOPMENTS IN INDOCHINA

There has been no improvement in the Indochina picture, except the promise of more efficient military leadership by the new commander, General Navarre. The French are still uncertain regarding the next Viet Minh objectives. They know, however, that the Viet Minh will attack, as it has every year, with the end of the rainy season in late September. They believe that decreased enemy supply operations in the direction of Laos point to a Viet Minh concentration on the Tonkin delta. There is no more reliable evidence available indicating the enemy's planned strategy. The Viet Minh could probably overrun the delta if it is prepared to face the enormous losses which such an effort would entail.

Current Moscow and Peiping propaganda has hinted at an armistice in Indochina. This is probably an attempt to promote defeatism in France -- where there is strong pressure for some solution to the Indochina problem -- rather than a real peace move. The Communists are probably hoping at least to

weaken the French military effort against the Viet Minh.

The French confirm their acceptance of General Navarre's plan to move to the offensive, subject to a firm American commitment of approximately \$400 million in extra aid. However, there is reason to doubt that the French command in Indochina will be able to fulfill its plan to undertake an offensive beginning 15 September. It must be emphasized that Viet Minh infiltration of the Tonkin delta is now so heavy that almost all French forces are needed there for security duties. Also, it is unlikely that any substantial portion of the nine battalions which General Navarre is borrowing from France could in any event arrive in Indochina by that date.

In addition to the \$400 million in extra aid for French forces, the French are now taking the position that the cost of the Associated States armies in 1954 should be borne entirely by the Associated States and the United States. This would amount to a sum of \$171 million from the Associated States and \$386 million from the United States.

On the political front, future French-Associated States relations will be largely determined by the outcome of French-Cambodian negotiations now taking place. It appears that after more than two months of frequently bitter negotiations the French have made substantial concessions to Cambodian demands and are on the verge of making still more. The outcome of these talks will set a precedent which a Vietnamese delegation, now in Paris, will exploit in negotiating for complete independence. Reported Vietnam demands are so far-reaching that they might, if the French suffer severe military reverses this fall and winter, cause Paris seriously to consider the desirability of withdrawing from Indochina.